

ABN 14 725 309 228
Enterprise House
136 Greenhill Road
Unley South Australia 5061
Telephone 08 8300 0000
Facsimile 08 8300 0001
Email customerservice@business-sa.com
www.business-sa.com

5 March 2012

Panel Members
GST Distribution Review
The Treasury
Langton Crescent
Parkes ACT 2600

Dear Panel Members,



I write to you in relation to the *GST Distribution Review* Supplementary Issues Paper.

Business SA is South Australia's leading business membership organisation, representing thousands of businesses through direct membership and affiliated industry associations. We represent businesses across all industry sectors, ranging in size from micro-business to multi-national companies. Business SA advocates on behalf of business to propose legislative, regulatory and policy reforms and programs for sustainable economic growth in South Australia.

As stated in Business SA's initial submission, the GST distribution process should be simple, fair and transparent and should not result in perverse incentives for States or Territories to change their own revenue raising or spending activities simply in order to be allocated more GST revenue.

In addition, the GST distribution process should be kept separate from efforts to influence State Government policies. There are Special Purpose Payments and National Partnership Payments that can be used for this purpose.

While Business SA agrees that taxing above-normal profits or resource rent is better than taxing mining output, the design of the Mineral Resource Rent Tax (MRRT) is flawed.

In particular, there will soon be two different types of mining tax regimes in place. While companies subject to the MRRT receive a refund from the Commonwealth Government on the State mining royalties that they also pay, the administrative and compliance costs of two different mining tax regimes are far higher than they should be.

A better alternative would be an intergovernmental agreement that encourages State Governments to dismantle their mining royalty regimes and have them replaced with either State-based resource rent taxes or with a Commonwealth Government resource rent tax package that ensures an appropriate distribution of the revenue, particularly to improve regional infrastructure.

While raising the rate and/or broadening the base of the GST to remove the most inefficient State taxes is explicitly rejected under the terms of reference of the GST Distribution Review and by the Commonwealth Government, it is the best way to improve the efficiency and sustainability of Australia's taxation system.

An intergovernmental agreement should be established for State taxes to be abolished, in return for higher revenue from the Commonwealth Government.

Indeed, the Henry Taxation Review recommended that "reforms to State taxes should be coordinated through intergovernmental agreements between the Australian government and the States to provide the States with revenue stability and to facilitate good policy outcomes."

Should you require any further information or have any questions, please contact Rick Cairney, Director of Policy, Business SA on (08) 8300 0060 or rickc@business-sa.com.

Yours sincerely

A handwritten signature in black ink, appearing to read "Peter Vaughan". The signature is fluid and cursive, with the first name "Peter" and last name "Vaughan" clearly distinguishable.

Peter Vaughan

Chief Executive Officer